LETTER TO STAPLED SECURITYHOLDERS

ARA Business Trust Management (USH) Pte. Ltd.
Company registration number: 201829682G
(Incorporated in the Republic of Singapore)

11 April 2023

To: Holders of Stapled Securities in ARA US Hospitality Trust

Dear Sir / Madam

AUDITED FINANCIAL STATEMENTS OF ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD. FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

We are pleased to enclose for your information a copy of the audited financial statements of ARA Business Trust Management (USH) Pte. Ltd. for the financial year ended 31 December 2022, pursuant to Section 78(1)(b) of the Business Trusts Act 2004 of Singapore.

The enclosed audited financial statements are in respect of ARA Business Trust Management (USH) Pte. Ltd., which is the Trustee-Manager of ARA US Hospitality Trust.

Please refer to the ARA US Hospitality Trust Annual Report 2022 for the audited financial statements of ARA US Hospitality Trust for the financial year ended 31 December 2022.

For and on behalf of the Board of Directors

Stephen Ray Finch
Chairman and
Independent Non-Executive Director

Moses K Song
Non-Executive Director

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ARA Business Trust Management (USH) Pte. Ltd.
Registration Number: 201829682G

Annual Report
Year ended 31 December 2022

Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2022.

In our opinion:

(a) the financial statements set out on pages FS1 to FS22 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Stephen Ray Finch
Randy Allan Daniels
Stefanie Yuen Thio
Wong Choong Mann
Lin Daqi
Seow Bee Lian
Moses K Song

Directors' interests

According to the register kept by the Company, particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings registered in name of director or nominee		**Holdings in which director is deemed to have an interest**	
Name of director	**At 1.1.2022**	**At 31.12.2022**	**At 1.1.2022**	**At 31.12.2022**
Ultimate holding company – ESR Group Limited				
Ordinary shares				
Seow Bee Lian	–	7,337,040	–	–
Moses K Song	–	8,402,959	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued ordinary shares of the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

Auditors

The retiring auditors, KPMG LLP, will not be seeking re-appointment.

On behalf of the Board of Directors

Stephen Ray Finch
Director

Moses K Song
Director

10 April 2023

KPMG LLP
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Singapore 018961

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Independent auditors' report

Member of the Company
ARA Business Trust Management (USH) Pte. Ltd.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ARA Business Trust Management (USH) Pte. Ltd. (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS22.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 April 2023

Statement of Financial Position
As at 31 December 2022

	Note	2022 US$	2021 US$
Assets			
Deferred tax assets	4	–	15,463
Total non-current assets		–	15,463
Financial assets	5	314,544	28
Trade and other receivables	6	1,406,397	451,011
Cash and cash equivalents		53,629	284,700
Current tax recoverable		–	9,921
Total current assets		1,774,570	745,660
Total assets		1,774,570	761,123
Equity			
Share capital	7	50,000	50,000
Retained earnings		1,303,693	636,319
Total equity		1,353,693	686,319
Liabilities			
Trade and other payables	8	224,477	74,804
Current tax payable		196,400	–
Total current liabilities		420,877	74,804
Total liabilities		420,877	74,804
Total equity and liabilities		1,774,570	761,123

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income
Year ended 31 December 2022

	Note	2022 US$	2021 US$
Revenue	10	1,773,720	324,845
Other expenses		(451,871)	(425,262)
Net finance (costs)/income	11	(92,612)	9,460
Profit/(loss) before tax	12	1,229,237	(90,957)
Tax (expense)/credit	13	(211,863)	14,750
Profit/(loss) and total comprehensive income for the year		1,017,374	(76,207)

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity
Year ended 31 December 2022

	Share capital US$	Retained earnings US$	Total US$
At 1 January 2021	50,000	712,526	762,526
Total comprehensive income for the year			
Loss for the year	–	(76,207)	(76,207)
Total comprehensive income for the year	–	(76,207)	(76,207)
At 31 December 2021	50,000	636,319	686,319
At 1 January 2022	50,000	636,319	686,319
Total comprehensive income for the year			
Profit for the year	–	1,017,374	1,017,374
Total comprehensive income for the year	–	1,017,374	1,017,374
Transactions with owners, recorded directly in equity			
Distributions to owners			
Dividend declared (note 7)	–	(350,000)	(350,000)
Total transactions with owners	–	(350,000)	(350,000)
At 31 December 2022	50,000	1,303,693	1,353,693

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows
Year ended 31 December 2022

	2022 US$	2021 US$
Cash flows from operating activities		
Profit/(loss) for the year	1,017,374	(76,207)
Adjustments for:		
Management base and performance fees received/receivable in stapled securities in ARA US Hospitality Trust ("ARA H-Trust")	(1,808,252)	(204,845)
Loss/(gain) on fair value of financial assets	92,716	(12,142)
Loss on disposal of stapled securities in ARA H-Trust	200	–
Interest income	(89)	(506)
Net foreign exchange loss	1,486	3,188
Distribution income	(1,501)	–
Tax expense/(credit)	211,863	(14,750)
	(486,203)	(305,262)
Change in trade and other receivables	412,391	(13,560)
Change in trade and other payables	148,186	62,198
Cash generated from/(used in) operations	74,374	(256,624)
Proceeds from sale of stapled securities in ARA H-Trust	20,400	95,794
Tax refund/(paid)	9,921	(30,931)
Capital distribution received	12,644	–
Distribution income received	1,501	–
Net cash generated from/(used in) operating activities	118,840	(191,761)
Cash flows from investing activity		
Interest received	89	506
Net cash from investing activity	89	506
Cash flows from financing activity		
Dividends paid	(350,000)	–
Net cash used in financing activity	(350,000)	–
Net decrease in cash and cash equivalents	(231,071)	(191,255)
Cash and cash equivalents at 1 January	284,700	475,955
Cash and cash equivalents at 31 December	53,629	284,700

Significant non-cash transaction

As at reporting date, the Company expects to receive 3,831,307 (2021: 422,621) stapled securities of ARA H-Trust amounting to US$1,367,777 (2021: US$204,845) as satisfaction of base and performance fees in respect of the financial year ended 31 December 2022.

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 10 April 2023.

1. Domicile and activities

ARA Business Trust Management (USH) Pte. Ltd. (the “Company”) is incorporated in Singapore and has its registered office at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985.

The principal activities of the Company are to provide property fund management services and to act as the trustee-manager of ARA US Hospitality Management Trust (“ARA H-BT”). ARA H-BT is a business trust which is part of ARA H-Trust, a stapled group comprising ARA US Hospitality Property Trust and its subsidiaries and ARA H-BT and its subsidiaries. ARA H-Trust listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 9 May 2019.

As at 31 December 2021, the immediate and ultimate holding company are ARA Asset Management Limited, a company incorporated in Bermuda and ARA Asset Management Holdings Pte. Ltd., a company incorporated in Singapore respectively.

On 20 January 2022, ESR Group Limited (*formerly known as ESR Cayman Limited*), a company incorporated in the Cayman Islands and listed on the Hong Kong Stock Exchange, acquired the entire issued share capital of the immediate holding company and become the ultimate holding company.

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore (“FRS”).

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in United States dollars (“US$”), which is the Company’s functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.5 Changes in accounting policies

New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2022:

- Amendment to FRS 116: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to FRS 113: *Reference to the Conceptual Framework*
- Amendments to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to FRS 37: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to FRSs 2018-2020

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.2 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income (“FVOCI”); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset can be measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect on initial recognition to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measure at FVTPL.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risk and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with FRS 12 *Income Taxes*.

3.3 Impairment

(i) Non-derivative financial assets and contract assets

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost and contract assets.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since its initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance of ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company’s non-financial assets, other than contract assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.4 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a promised product or service to a customer. Invoices issued to customers are due within 45 days.

No adjustment is made to transaction prices for time value of money as the contracts do not include significant financing consideration.

Nature of goods and services

The following is a description of the principal activities from which the Company generates its revenue.

(i) Management base and performance fees

Management base and performance fees are derived from the management of ARA H-Trust. The base fees are determined based on 10% per annum of the distributable income of ARA H-Trust. Performance fees are determined based on 25% of the increase in distribution per stapled security ("DPS") of ARA H-Trust in a financial year over the DPS in the preceding financial year, multiplied by the weighted average number of stapled securities in issue for such financial year.

For as long as ARA H-REIT is stapled to ARA H-BT, the total management fees for their managers shall be apportioned between the Company and ARA Trust Management (USH) Pte. Ltd., the REIT manager of ARA H-REIT ("REIT Manager"), in such proportion as may be agreed between the Company and the REIT manager from time to time. The split in fees is currently agreed as 25% of fees in units for the Company and the REIT manager each, and 50% fees in cash to ARA USH Management Inc., a wholly-owned subsidiary of the REIT manager.

The management services are provided to ARA H-Trust as a series of distinct goods or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Variable consideration is allocated to each distinct increment of service in the series and recognised as revenue as the service is performed over time.

(ii) Acquisition and divestment fees

Acquisition and divestment fees relate to fees earned in relation to the acquisition and divestment of properties by ARA H-Trust and are determined based on the value of the asset or investment acquired or disposed. As the customer does not benefit from the process undertaken, but rather the outcome, the Company is only entitled to payment for services upon the successful completion of the contract and revenue is recognised upon completion of the service, at a point in time.

(iii) Trustee fees

Trustee fees are determined based on 0.02% of the value of the trust property of the ARA H-BT and is subject to a monthly minimum fee of US$10,000. The services are provided to customers as a series of distinct goods or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Variable consideration is allocated to each distinct increment of service in the series and recognised as revenue as the service is performed over time.

3.5 Finance income and finance costs

Finance income and finance costs comprise interest income, the foreign currency gains or losses on financial assets and financial liabilities, net gains or losses on financial assets at FVTPL. Interest income is recognised using the effective interest method. Distribution income is recognised in profit or loss on the date that the Company's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

3.6 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.7 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

4. Deferred tax assets

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	At 1 January 2021 US$	Reclassified to current tax recoverable 2021 US$	Recognised in profit or loss (note 13) US$	At 31 December 2021 US$	Recognised in profit or loss (note 13) US$	At 31 December 2022 US$
Deferred tax assets						
Tax losses	10,700	(9,921)	14,684	15,463	(15,463)	–

5. Financial assets

	2022 US$	2021 US$
Quoted financial assets – mandatorily measured at FVTPL	314,544	28

This relates to stapled securities held in ARA H-Trust which are received as settlement for management base and performance fees earned. During the financial year, the Company received 928,481 (2021: Nil) stapled securities and sold 42,500 (2021: 185,900) stapled securities.

The Company's exposure to credit, currency and equity price risks related to financial assets are disclosed in note 9.

6. Trade and other receivables

	2022 US$	2021 US$
Accrued fees receivables	1,367,777	234,845
Trade receivables	32,100	210,000
Other receivables	6,520	6,166
	1,406,397	451,011

Accrued fees receivables constitute contract assets primarily related to the Company's rights to consideration for management services provided but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices ARA H-BT. Significant changes in the contract assets balance during the year relate to management services rendered but not billed and subsequent reclassification of contract assets to trade receivables. There is no impairment allowance arising from the outstanding balances.

As at the reporting date, the Company expects to receive 3,831,307 (2021: 422,621) stapled securities of ARA H-Trust amounting to US$1,367,777 (2021: US$204,845) as satisfaction of base and performance fees in respect of the financial year ended 31 December 2022.

The Company's exposure to credit risk related to trade receivables is disclosed in note 9.

7. Share capital

	2022 Number of shares	2021 Number of shares
At 1 January and 31 December	50,000	50,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

Dividend

The following tax-exempt dividend was declared and paid by the Company for the year ended 31 December:

	2022 US$	2022 US$
Paid by the Company to owners of the Company:		
Interim dividends of US$7 per ordinary share (2021: US$Nil)	350,000	–

8. Trade and other payables

	2022 US$	2021 US$
Accrued expenses	10,144	6,854
Amount due to related corporation, trade	214,333	67,950
	224,477	74,804

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 9.

9. Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from counterparties and investment securities.

The carrying amount of financial assets represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

Trade and other receivables

Risk management policy

The Company's exposure to credit risk arises mainly through its trade and accrued fees receivables from ARA H-Trust, which has a good record with the Company. Exposure to credit risk is monitored on an ongoing basis.

Investments and other financial assets

Risk management policy

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash and cash equivalents and investment in financial assets. Credit risk on cash and cash equivalents is limited because these are placed with regulated financial institutions which are rated A to AA-, based on established rating agency ratings. Credit risk on investment in financial assets is limited because the counterparties are entities with high credit quality and/or acceptable credit ratings. These financial assets are monitored on an ongoing basis by management.

Trade receivables and accrued fees receivables

The Company establishes an allowance for impairment that represents its estimate of ECLs in respect of trade and accrued fees receivables. The key inputs into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). ECL is calculated by multiplying the PD by LGD and EAD.

PD is estimated based on the Global Corporate Default Rate for the real estate industry. LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD taking into consideration the collateral, history of recovery rates of claims against defaulted counterparties and counterparty industry. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty.

The aging of trade receivables and accrued fees receivables that was not impaired at the reporting date was:

	2022 US$	**2021 US$**
0-60 days	32,100	–
More than 120 days	–	210,000
Accrued fees receivables	1,367,777	234,845
	1,399,877	444,845

Impairment on trade receivables and accrued fees receivables have been measured on the lifetime expected loss basis. The amount of the allowance on these balances is insignificant.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities which are measured at amortised cost including estimated interest payments but excluding the impact of netting agreements:

		<---------Cash flows--------->		
	Carrying amount US$	**Contractual cash flows US$**	**Within 1 year US$**	**Between 1 to 5 years US$**
2022				
Non-derivative financial liabilities				
Trade and other payables	224,477	(224,477)	(224,477)	–
2021				
Non-derivative financial liabilities				
Trade and other payables	74,804	(74,804)	(74,804)	–

It is not expected that the cash flows included in the maturity analysis of the Company could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Equity price risk

The Company's quoted equity financial assets are listed on the SGX-ST. For such investments classified as held for trading, a 10% increase in the stock price at the reporting date would have increased profit or loss by the following amount shown below. The analysis assumes that all other variables remain constant.

	Profit or loss	
	2022	**2021**
	US$	**US$**
SGX-ST	31,454	3

A 10% decrease in their stock price would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Currency risk

The Company is not exposed to significant currency risk.

Capital management

The Company is not subject to any externally imposed capital requirements. The primary objective of the Company in respect of its capital management is to ensure its ability to continue as a going concern. In this regard, the Board of Directors regularly reviews the Company's capital structure with a view for the Company to pay its debts as and when they fall due. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives. The Company defines "capital" as including all components of equity. There were no changes in the Company's approach to capital management during the year.

Accounting classifications and fair values

The carrying amounts and fair values of certain financial assets including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	
	2022	**2021**
	US$	**US$**
Quoted financial assets – mandatorily measured at FVTPL	314,544	28

Investments in financial assets

The fair value of quoted investments that are classified as mandatorily measured at FVTPL is determined by reference to their quoted closing bid price at the reporting date.

Financial instruments not measured at fair values

The Company has not disclosed the fair values of financial instruments such as trade receivables, trade and other payables and cash and cash equivalents as the carrying amounts of these financial instruments are a reasonable approximation of fair values as at 31 December 2022 and 2021.

Transfers between Level 1 and 2

During the financial year ended 31 December 2022 and 2021, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

10. Revenue

	2022 US$	2021 US$
Divestment fee	50,313	–
Base fee	517,878	60,695
Performance fee	1,085,529	144,150
Trustee fee	120,000	120,000
	1,773,720	324,845
Timing of revenue recognition		
Performance obligations satisfied over time	1,723,407	324,845
Performance obligations satisfied at a point in time	50,313	–
	1,773,720	324,845

There were no contract liabilities at the end of the financial year.

11. Net finance (costs)/income

	2022 US$	2021 US$
Finance income		
Interest income under the effective interest method on cash and cash equivalents	89	506
Net change in fair value of financial assets:		
– Mandatorily measured at fair value through profit or loss	–	12,142
Distribution income	1,501	–
	1,590	12,648
Finance costs		
Foreign exchange loss, net	1,486	3,188
Net change in fair value of financial assets:		
– Mandatorily measured at fair value through profit or loss	92,716	–
	94,202	3,188
Net finance (costs)/income	(92,612)	9,460

12. Profit/(loss) before tax

The following items have been included in arriving at the profit/(loss) before tax for the year:

	2022 US$	2021 US$
Other expenses:		
Service fee expense to related corporation	440,027	416,342

13. Tax expense/(credit)

	Note	2022 US$	2021 US$
Current tax expense/(credit)			
Current year		196,400	–
Overprovision for prior year tax		–	(66)
		196,400	(66)
Deferred tax expense/(credit)			
Origination and reversal of temporary differences	4	15,463	(14,684)
Total tax expense/(credit)		211,863	(14,750)
Reconciliation of effective tax rate:			
Profit/(loss) before tax		1,229,237	(90,957)
Tax using the Singapore tax rate at 17% (2021: 17%)		208,970	(15,463)
Tax-exempt income		(12,671)	–
Overprovision for prior year tax		–	(66)
Change in recognised temporary differences		15,463	–
Others		101	779
		211,863	(14,750)

14. Related parties

Except as disclosed elsewhere in these financial statements, there were no other significant related party transactions during the financial year.

Transactions with key management personnel

Certain non-independent and non-executive directors of the Company are employees of a related corporation and no consideration is paid to the related corporation for the services rendered by the directors.